

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
IN JOINT SESSION WITH THE BOARD OF SCHOOL COMMITTEE**

March 16, 2005

7:00 PM

Mayor Baines called the meeting to order in Joint Session with the Board of School Committee.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman O'Neil.

A moment of silent prayer was observed.

The Clerk called the roll.

Board of School Committee: Stewart, O'Brien, Scott, Herbert, Labanaris, Gatsas, Donovan, Kelley, Gelinas, Kruse, Beaudry, Cote, Ouellette, Perry

Aldermen: Roy, Gatsas, Guinta, Sysyn, Osborne, Porter, O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Thibault, Forest

Absent: School Committee Member Perry, Aldermen Gatsas, Osborne, DeVries, Thibault and Forest

The Clerk noted that Alderman Forest was absent because he was attending a Combined Sewer Overflow meeting at Northwest Elementary School.

Mayor Baines stated before I begin the meeting I would like to thank Mr. Rist and his staff and the City Clerk staff for getting us situated for this meeting here today and the hospitality and the tour of the facility. Those of us who had a chance to tour the facility, I think, came away duly impressed with the magnificent renovation that is going on in this facility under the direction of Gilbane Construction and being coordinated by Tim Clougherty from our staff. Tim, you are absolutely doing a magnificent job with this entire project and we appreciate all of your efforts. I think it also is a great symbol of what we can accomplish by working together. When we started this design-build process going back to the Parsons-Brinckerhoff study and outlining what we needed to do to fix all of our schools and the great studies that took place. A lot of people thought that we could never do what we were doing here – not only at Central but at schools across the City. It is a real tribute to the Board of Mayor and Aldermen and everyone working together with a great staff – with the Finance staff looking at creative ways to do things and the great oversight of this project as I mentioned earlier by Tim Clougherty and that whole department with Frank Thomas and others. This is something we should be very proud of and if you haven't had a chance...if you go into a place like the McAllister Hall or what used to be called the Practical Arts Auditorium and see that magnificent auditorium that had fallen into such great disrepair. The thing that I felt the best about touring the building tonight and I don't know if you felt the same way is that the principal said for the first time that this building is going to be 100%

handicapped accessible. There were parts of this building if you were permanently or temporary handicapped you couldn't get to. So classes would have to be moved and things of that nature. When we do projects like this because of the ADA compliance issues it really opens up access to this building not only for the students who come here but people who utilize this building after school hours. The parking garage...obviously I think the faculty is probably more excited about that than anything else and the creativity of that if you look at construction projects in cities across the country you hear a lot of designers and construction people and architects talking about putting parking underneath facilities and by doing that and accepting that we were able to save some very critical housing in this neighborhood. Finally, I want to thank the faculty, staff, administration, and everybody that works in this building because they have had to endure an awful lot to deal with construction. It is not easy and when I come in to schools and I go over to my old haunt, West High School, I remind people that if you want progress there has to be some pain. I know they have had to endure some things and there are always things with projects of this nature but I want to thank the faculty, the staff, all of the students and everybody that works in this facility and comes to this facility every day for the great cooperation that has been shown for this project. I guess really finally it is great to see Abe Lincoln back. As I said earlier John found a picture in the archives of the 1910 dedication of the Lincoln Memorial and if you look very closely to the left Alderman Smith was in attendance at that dedication so you may want to check that out. Welcome to this meeting and I would like to turn it over to the Superintendent of Schools and his staff for their budget presentation.

Superintendent Michael Ludwell stated good evening. We believe we have a good budget proposal to share with you and we would like to start tonight by reviewing some of our District accomplishments. First, we are and have found an alignment of the curriculum with the NH standards as far as educational requirements. Second, we have implemented the 21st century after school program and that is throughout the District. We have established the Greater Manchester Professional Development Center, which is a regional center for the state. We have implemented various alternative education programs that are proving effective in keeping students in school and reducing the dropout rate. Ombudsmen at the high school level and MAPA at the middle school level are just two examples. We are making an effort as far as special education of taking students who have traditionally received out-of-district services and bringing them in district to provide the services for them, which is both beneficial for the students and it is also cost effective for the District. Finally we have initiated a standards based curriculum instruction and assessment. This has included District Leadership Training on learning and teacher training on instruction for all. Woven into this we have also revised the teacher supervision and evaluation tool. The next slide indicates the historical enrollment from 1996 to 2005 and you can see that although the trend is slowing down we still are growing as a District as far as enrollment. This slide compares our graduates with those of other NH communities. As you can see, we have comparable numbers of graduates continuing their post-secondary education, going into the military or entering the workforce. As I believe everyone is aware, one of our major

priorities is focusing on reducing the drop-out rate and this slide shows that we are making some inroads as far as reducing that drop-out rate and keeping students in school and hopefully progressing towards graduation. Taking a look at our student profile...by the way all of our enrollment data is based on October 1 enrollment counts. Students with educational disabilities were at 14%. Traditionally we service about 3,000 students a year in special education programs. English language learners represent approximately 9% of our student population, homeless 1% and free and reduced lunch 31%. However, the 31% can be misleading because we have some schools that are as high as 73% and 80% as far as free and reduced students. The next slide shows our high school class size in the core subject areas. The column on the left is the state standard. That is the number of students that the standard says can be in a classroom. You will note that science is lower because of the lab conditions. To the right shows the three high schools in Manchester and the number of sessions that exceed 30 students in a class. The tuition agreement, I should note, obligates the District to maintain state standards for teachers and administrators. Failure to do so could result in a loss of revenue to the District of \$1.6 million per year and this is a contractual obligation. Finally, we will look at a slide relative to the number of new positions that we are recommending. As you look at the slide we are recommending seven positions referring back to that previous slide as far as sections over 30 not meeting the state standards. This would allow us, as far as the tuition agreement, to meet state standards in the core areas. We have nine positions that are required either through IDEIA, which is the Special Education Act, or through the Office of Civil Rights. Then we have accreditation of five positions and again accreditation is also tied to the state standards so that is also tied into the tuition agreement. School approval standards, we have one position and that is for an elementary school that I believe is Bakersville that has a high number of fourth grade students. Then we have Enrollment & Other. There are 10.5 positions. Those include art teachers, which will allow us to meet contractual obligations relative to preparation time, two elementary principals, two groundskeepers, two instructional technology staff and a half time attendance officer. Finally, we are recommending six positions be moved from federal funds. These are either Title II-A, which is a classroom size reduction federal grant and the Perkins, which is the vocational technical grant. For example, after a period of three years in the Perkins grant those teachers must be moved from the Perkins into the general fund. With that, I will turn it over to Mr. Sanders.

William Sanders, Business Officer, stated first we want to look back a little bit before we talk about our budget this year this is a chart that we have shown you in prior years regarding the average cost of educating a student here in Manchester compared to the state average. As you can see for the last year reported 2003/2004, the state average was just about \$8,500 per student. Manchester was at \$6,900 per student, which is about 82% of the state average. This information is available on the DOE website out of Concord and is based on the DOE 25 reports, the annual financial statements that all school districts are obligated to report. It is right there. We are also...at the end of this past year we ranked eighth from the bottom out of the 74 school districts in NH that had high schools. Also as a point of reference I just

thought it would be helpful to point to Nashua as an example as to what their spending is. Their average cost per student for the 2003-2004 year was \$7,433. The state average went up 8.8% last year. Manchester went up 6.1% and Nashua went up 7.4% last year. On the next slide you will see information that is available through the state website regarding the equalization of tax rates. Recognize that these aren't the actual rates that taxpayers pay but we think it is the only data we can avail ourselves of to show how Manchester is doing relative to the tax rate on schools specifically. They share municipal information, school information and then percentages of the state average. On the municipal side, the state's equalized tax rate is \$5.96 at the end of the 2003-2004 year. The Manchester equalized rate was \$8.78. The state average on the school side or the equalized rate is \$10.38 versus \$7.96 on the Manchester side. That leaves you with Manchester as a percentage of the state average on the municipal side we are at almost 150% of the state average on municipal taxes and we are at 77% of the state equalized rate as it relates to school taxes. I think those two charts demonstrate two things. First of all that the school tax in the City of Manchester is a reasonable tax relative to the state and more importantly the preceding chart would demonstrate, I think, that we are being frugal with the taxpayer's money in terms of our spending on a cost per pupil basis. With that said, we will turn to this year's budget. We are requesting a budget this year of \$144,840,000. That represents a 5.3% increase over the \$137,499,000 that we received for this year. I am going to go through in a moment cauls on each of the line items to share with you the reasons why we are up and down but there are just a couple of things I would like to point out. On this chart the first is our special education. We have broken out budget as we did last year into some components that we think provide more visibility and understanding as to what is happening in our budget and how we are trying to control costs. We wanted to focus for just a minute on the special education area this year. We are expecting next year to spend about \$29.5 million for special education students. That is literally within a couple of thousand dollars of what we are spending this year so we have basically leveled out we believe. Obviously we can't speak to the future perfectly but we believe that we have achieved some stable situation in the area of special education. Mrs. Burkush has made great strides in the area of bringing students in and keeping our students in district with a variety of autism programs, EBD programs, and deaf and hard of hearing programs that are in district. Not only are they keeping our children at home and in our schools but other communities are now paying us tuition to attend these programs. So, a big cost driver to increases in prior years as you all know was special education. We believe this year that is not the case and, in fact, you can see that out-of-district tuition for this next year we are expecting to actually be lower than our budget was for the year we are in right now. We have dropped it by about \$250,000 to \$6 million. All of that said, special education is about 20% of our budget. You can see the athletics and also information technology. I would also point out on the information technology side that we have included in this year's information technology budget \$750,000 for the acquisition of the student information system, which with the advent of No Child Left Behind and the requirements that the District demonstrate and document student achievement, the District is in desperate need of a student information system that provides us with that information on a

student basis and ultimately would lead to the teachers that are being successful and who needs help and who needs mentoring and who needs coaching. This is a very, very important acquisition for the District to become a...for us to be able to demonstrate that we either are or aren't making progress. One last point, on this chart. The question that comes up frequently is how much are we spending on our English language learners next year. In our core budget of \$111,000 about \$3.1 million is included in there for spending for the education of English language learners. The next chart is a summarization trying to compare our 2006 request with where our 2005 current projection is. This is a little bit different from our budget in that we are not projecting a surplus for this year on the expenditure side of about \$759,000. We also have a surplus on the revenue side of about \$210,000. So we are comparing this to our current year projection. I will give you a chart in a moment to explain the salary line. On the employee benefit line there are really two drivers for an increase of \$2.3 million in benefits. We have a \$1.3 million increase for health insurance. That is about 12.5% we are projecting. We also have about an \$800,000 increase in our retirement provision. That is primarily on the School District side – the state retirement system. We have some folks in the City retirement system but not a great deal. The state retirement rates have gone up considerably year over year. So we have about an \$800,000 increase on a total contribution to the state retirement plan of probably a couple of million dollars - \$2.5 to \$3 million dollars. So the rates on the state side have gone up quite a bit. Professional services...you will note that there is not a significant change but that is the area of our legal fees, our auditing fees as well as special services that we retain from professionals on special education matters. As I mentioned earlier we are having success there so we feel like we are being prudent and safe in saying we should be able to do the same thing with that line item as we did this year. Our transportation budget...right now we are requesting an increase of \$219,000. That is about a 4% increase. We are in the initial stages of working with MTA. They are not our sole provider. We do use other providers but the vast majority of student transportation in the District is MTA and we are looking, as you are probably aware, at a one year extension of the current contract and we hope to do at worst 4% and hopefully better than 4%. That is what we are requesting right now. Our supplies budget is about constant with last year. The utilities budget we have going up almost \$340,000. That is about a 13% increase over our current year. This year we have experienced about a 20% to 25%. We budgeted at 25% increase and we have already got a 20% increase. A couple of things are happening there. Our largest utility is electricity. Almost half of our utility number is electricity for the computers and lighting and the increased square footage within the School District is driving that. Oil and natural gas are the other two primary utilities. There has been quite a conversion through the design-build to transfer us out of oil and into natural gas, putting in natural gas boilers and I commend the City departments in that effort because I think that has achieved some stability in our rates and the vast increase in oil prices we have been somewhat sheltered from. It has gone up because of natural gas but not as much as it would have. Books and subscriptions we are somewhat higher but still a pretty modest \$580,000 for books. A lot of that includes library books and textbooks. We have been running...last year we spent almost \$1.9 million on textbooks. We have been spending in

the vicinity of \$800,000 or \$900,000 a year now for almost three of our years. We have no major curriculum adoptions next year so we feel reasonably comfortable with that. The equipment line item, the basic increase there is as I mentioned earlier the student information system that we talked about. I will talk about City services in a second. Our debt service is lower next year from this year. That has to do with some of the refinancing that the City Finance Department has done on some of our debt, as well as the retirement of some previously existing debt. Our maintenance projects line is going up about \$150,000. This is in anticipation to protect against the situation if we do end up staying in the Ash Street building there are some significant improvements and repairs to that building that are required primarily in the fire suppression system, sprinkler systems, fire alarm systems and other matters and we are working with the City Facilities Department to get drawings and cost estimates for that but we have set that money aside just in case. The \$162,000 increase in Other is primarily driven by a reduction in our portable classrooms. One of the other benefits of design-build is that we will be able to eliminate some of our portable classrooms certainly at our high schools and middle schools. A number of those are leased and they will be going away. As you will see in a bit we have also moved some of our waste management dumpster matters to the School Food & Nutrition Department this next year because that is where a substantial portion of our waste comes from. As you saw in the prior chart, our salary number is...we are requesting an increase of \$4.2 million or \$4.3 million and this is a causal analysis of what is driving those costs. I think everyone understands the 2% COLA increase for 2006. We also have our step increases for teachers and other administrative support staff. As Dr. Ludwell mentioned we want 38.5 new positions next year and that is a \$1.6 million cost. Some other items that are driving the increase is we did add 19.5 new positions in the year we are in. We have been hiring those people throughout the year. They will be there for a full year next year and we have to pick up the incremental increase of a full year. We also have a COLA increase that we gave last year on the teacher side. On the negotiation side we didn't settle those contracts until November essentially so there were three months there when they went without a COLA increase. Next year they will get that full year COLA increase so we had to pick that up. Then we have the annual retirement situation where we have teachers retiring. If you announce your retirement this year we actually make payments to you out of next year's budget. In this year's budget, the one we are in right now, we paid out about \$1.3 million in sick pay and supplemental because there is a supplemental payment as well, to about 45 retirees who retired last year and we paid them this year. We will save that money this year. We won't have to pay that \$1.3 million but we have received notice of about 31 retirements already for people who will be retiring this June 30. We are assuming that might approach 38, 39 or 40 by the time the year actually closes so we set aside \$1.2 million for those payments. As I think everyone is aware we do recognize and achieve savings by retirees being replaced by less costly new hires and we have put in a savings of \$663,000 for that salary differential. We have a hodge-podge of other items bringing our number up primarily some specialist prep payments that we have to make under the contract, degree changes if teachers get their Masters Degree versus their Bachelor's Degree they change lanes and they get additional payments and we also have to

provide for some of our leave of absences who may return. That is our increase of \$4.3 million in the salary line. The next chart shows our City service line. It speaks for itself with a couple of comments. First of all, there is a significant ink change in the Highway line and that is for a reorganization in the Highway Department. Mr. Clougherty was moved over to Building Maintenance or the Facilities Division this year so the cost will be much less next year. We have a significant increase of about 21% or \$1.15 million on the Building Maintenance line. That is primarily driven by two items. First off, higher Aramark custodial services next year of about \$500,000 and that is comprised of the square footage increase. Part of the facility you walked through today, about \$150,000 of that increase is related to increased square footage. There is also a CPI kicker in the Aramark contract and we are currently estimating that that will be about \$183,000 of additional costs. The other major driver in the increase is \$530,000 for enhanced supplemental maintenance costs. At the present time, the School District is approximately at \$.67/square foot. I think you heard this last year and I won't dwell on it but we are requesting approval to get up to \$.92/square foot. That is the recommendation we have received from the City engineers. Mr. Clougherty is here somewhere in case I get too many questions about that but that has been the recommendation of the City Facilities Department. We are going with the experts and they are telling us that is where we should be. The other changes are Parks & Recreation is a little difficult to know what is going to happen based on weather primarily. That is where our plowing costs are. I think athletics, nurses and most of these other costs are driven in large measure by Yarger Decker and the salary changes on the City side. That is our expenditure picture. This is our revenue plan at the moment. The first number is the Adequate Education Grant. We have got in there \$44,665,000. That is the current law as it exists today. I know you are well aware that there are a variety of proposals out there on changing that amount. Governor Lynch's proposal, I believe, would increase that number by about \$5 million from what you are looking at there. We have gone with what the current law says and hope that everyone is surprised on the upside there. The next line item is our building aid. You can see that has increased over \$1 million last year to this year. That is primarily driven by the design-build project. We begin making our principal payments next year and we got confirmation from the state that they are ready to start paying us building aid next year as well. A couple of other line items that I will point out briefly. One is the Bedford capital tuition payment. As you may know, Bedford is paying us \$4.4 million this year, and they have paid us all of that, and they are to pay us \$4.4 million next year. At the moment, we are proposing just to include \$2.6 million of next year's \$4.4 million in our revenue statement. If you recall, the Bedford agreement was really based on them paying 10 years of capital costs over a three-year period. We would like to be in a situation where we could defer some of that money and use it to offset revenues in future periods as opposed to using it all next year or the year after. In working with City Finance I think we have a plan based on what happens with interest rates and that sort of thing that we might be able to spread this out over a five or six year timeframe. Right now, we just set aside \$2.6 million. The capital costs from Auburn, Candia and Hooksett is going down because of the amortization schedule that they are on. A couple of other items I will point out is the interest income. This might

be an area as we move forward in the budget process that we might have an opportunity to increase. A year ago we were at \$106,000 of interest income. Right now our projection is that we might get as high as \$325,000 this year. We have consolidated to a once a month payment cycle with the School District and we have also gone into an agreement with Bank of America on getting competitive bids for our certificates of deposit and that has been very, very helpful to the District. We are basically looking at tripling our interest income year over year. Another item that we have put in here and this \$25,000 is...Mr. Sherman and Mr. Clougherty will probably tell me we are a little bit low there but we are putting in the interest income that is going to be earned on the debt service account where the design-build debt payments are made out of. This will be the account where the Bedford money would be deposited and interest income would be earned. We worked with City Finance to make that a part of our revenue statement since the expense is part of our expenditure situation. We are holding fast to not wanting to use any of our impact fees. If you recall, two years ago we were using about \$175,000 a year. We are not taking any of that money this year and we would like not to take any of it next year in hopes of using that money for the elementary school project, which we hope to have a definitive recommendation about in this next fiscal year. That is what we are doing there. We haven't done anything with fund balance issues yet either, although we are running about a \$200,000 fund balance on our revenues and \$740,000 on expenses. At the moment though we are leaving that at zero. The next chart is our School Food & Nutrition. There are a couple of changes there from what you saw last year. Up on the revenue side you will see that we are proposing and the School Board has approved a \$.10 increase in school lunch prices beginning next September. That would increase our elementary schools to \$1.60 per lunch and our high schools and secondary schools to \$1.85 for lunch. Also keep in mind that all of the individuals who are on free and reduced lunch would be unaffected by these lunch increases. One of the major reasons we did have to increase lunch prices is as I mentioned earlier we have included a cost item now on the School Food & Nutrition side of trash removal and we are charging them \$50,000 for the removal of trash. That is our budget presentation. We think our budget process has been thorough. We spent three months and many hours and four work sessions doing this project. We think we have addressed in a forthright manner the educational challenges in Manchester. I can assure you that the District administration understands the dual challenges and I know the School Board does of providing adequate and appropriate educational opportunities and programs for the children of Manchester and we recognize that we need to allocate limited resources prudently and effectively. We believe that this budget meets both of those responsibilities. Thank you.

There being no further business to come before the special meeting, on motion of Alderman Garrity duly seconded by Alderman Smith it was voted to adjourn.

A True Record. Attest.

City Clerk